

Message Text

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DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: CABINET AGREES TO EC OIL LOAN

1. SUMMARY. THE FEDERAL CABINET HAS AUTHORIZED FINANCE MINISTER APEL TO AGREE TO THE INITIATION BY THE EC COUNCIL OF CONSULTATIONS WITH THE EUROPEAN PARLIAMENT REGARDING AN EC LOAN FROM THE OIL COUNTRIES. FINAL GERMAN AGREEMENT TO SUCH A LOAN WILL STILL REQUIRE PASSAGE OF A LAW AUTHORIZING THE GUARANTEE BY THE GERMAN PARLIAMENT. END SUMMARY.

2. IN AUTHORIZING FINANCE MINISTER APEL TO AGREE TO THE INITIATION OF CONSULTATIONS WITH THE EUROPEAN
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PARLIAMENT, THE CABINET LAID DOWN THE FOLLOWING

CONDITIONS FOR GERMAN AGREEMENT:

(A) THE SIZE OF THE LOAN SHOULD BE LIMITED TO A
MAXIMUM OF \$3 BILLION DURING 1975.

(B) THE LOAN SHOULD HAVE A MATURITY OF AT LEAST
FIVE YEARS.

(C) THE FEDERAL REPUBLIC WILL GUARANTEE AT MOST
44 PERCENT OF THE LOAN (I.E., TWICE ITS PERCENTAGE
QUOTA IN THE FRAMEWORK OF THE EC SHORT- AND MEDIUM-TERM
BALANCE OF PAYMENTS ASSISTANCE).

(D) EACH TRANCHE OF THE LOAN MUST BE DECIDED
UPON UNANIMOUSLY BY THE EC COUNCIL WHICH AT THE SAME
TIME MUST DECIDE WHICH EC COUNTRY SHALL RECEIVE THE
PROCEEDS OF THE LOAN AND LAY DOWN CONDITIONS CONCERNING
THE ECONOMIC POLICIES WHICH THE RECIPIENT COUNTRY MUST
AGREE TO IMPLEMENT.

3. IN BRIEFING THE PRESS, FINANCE MINISTER APEL
INDICATED THAT IN THE GERMAN VIEW PROCEEDS OF THE LOAN
SHOULD BE USED EXCLUSIVELY TO FINANCE OIL-RELATED
BALANCE OF PAYMENTS DEFICITS AND SHOULD BE MADE
AVAILABLE TO THE CENTRAL BANK RATHER THAN THE GOVERNMENT
OF THE RECIPIENT COUNTRY IN ORDER TO AVOID USE OF THE
PROCEEDS FOR THE FINANCING OF BUDGET DEFICITS. APEL
ALSO INDICATED THAT IN THE GERMAN VIEW THE LOAN SHOULD
BE RAISED VIA THE FUND FOR EUROPEAN COOPERATION TO
MAKE ABSOLUTELY CLEAR THAT THE PROCEEDS OF THE LOAN
ARE NOT TO BE CONSIDERED PART OF THE EC'S BUDGETARY
FUNDS.
HILLENBRAND

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